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UNCLAS SAN SALVADOR 000604

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SUBJECT: EL SALVADOR IMPOSES "COMMERCIAL EMBARGO" ON HONDURAS

¶1. (SBU) SUMMARY. The Government of El Salvador (GOES) instituted a
"commercial embargo" on Honduras and closed the border to trade the
evening of June 29. The border remains open to non-commercial
traffic. The initial embargo is expected to last 48 hours, but
could be extended if the situation in Honduras does not "improve."
The private sector in El Salvador has come out strongly against the
measures, arguing that private companies in El Salvador should not
be penalized for the actions of government institutions in Honduras.
 Should the embargo continue beyond 48 hours, it is likely to
adversely affect the economy of El Salvador. END SUMMARY.

¶2. (SBU) Amcham Executive Director Carmen Aida Munoz (protect)
alerted Emboffs to the embargo the evening of June 29. In an
official declaration signed in Managua, the CA-4 Presidents (Costa
Rica, El Salvador, Guatemala, and Nicaragua) agreed to suspend
commerce with Honduras for 48 hours as "an initial measure."

¶3. (SBU) Munoz expressed concern on behalf of Amcham member
companies, many of whom bring in raw materials and export via Puerto
Cortez in Honduras. Munoz said that Hanes and Fruit of the Loom
were the companies expected to be hit the hardest and, if the
embargo lasted, might have to close their textile operations
temporarily. Munoz also identified La Constancia (owned by
SABMiller) and Kimberly Clark as member firms directly affected by
the border closing. Amcham had been unable to reach any officials
from the Ministry of Economy or the Technical Secretary (Chief of
Staff) to the President to discuss the embargo.

¶4. (SBU) On June 30, Munoz told A/Econcouns that Amcham had spoken
with representatives from Maersk, who had confirmed the Salvadoran
border closing. Maersk had reported that Honduran officials had not
taken any official actions on their side of the border, but traffic
had been very slow since Sunday and there were many obstacles on
Honduran roads.

¶5. (SBU) Munoz also stated that Salvadoran Chamber of Commerce
President Jorge Daboub had spoken with Minister of Economy Hector
Dada on June 29. Dada reportedly advised Daboub that the business
sector should "get used to these measures" if the situation in
Honduras did not improve.

¶6. (U) An official of the Directorate of Migration informed Conoffs
on June 30 that the land borders remained open to non-commercial
traffic. The official advised, however, that the borders were being
closed at night due to the curfew in Honduras.

¶7. (U) Under the auspices of the Salvadoran Private Enterprise
Association (ANEP), the heads of various chambers and private sector
associations, including Amcham and the Salvadoran Chamber of
Commerce, spoke out against the embargo in a June 30 press
conference. The private sector argued that they should not be the
ones penalized for the actions of government institutions in
Honduras and urged diplomatic rather than economic pressure. Daboub
stated that the border closings represented a loss of $2.5 million
per day and put 10,000 jobs at risk.

¶8. (SBU) COMMENT: Should the GOES extend the embargo beyond 48 hours, we expect the economy of El Salvador to suffer along with the economy of Honduras. Since El Salvador lacks an Atlantic port, Salvadoran firms are heavily dependent on access to the ports in Guatemala and Honduras for their imports and exports. El Salvador also enjoys a trade surplus with Honduras ($52.1 million through April 2009), and so would be the bigger loser on bilateral trade. END COMMENT.

Blau